

MAHASKA COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR'S REPORT	5-6
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	7-12
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Assets	14-15
B Statement of Activities	16
Governmental Fund Financial Statements:	
C Balance Sheet	18-21
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	22
E Statement of Revenues, Expenditures and Changes in Fund Balances	24-27
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28
Proprietary Fund Financial Statements:	
G Statement of Net Assets	29
H Statement of Revenues, Expenses, and Changes in Net Assets	30
I Statement of Cash Flows	31
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Assets and Liabilities – Agency Funds	32
Notes to Financial Statements	33-49
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	52
Budget to GAAP Reconciliation	53
Notes to Required Supplementary Information – Budgetary Reporting	54
Schedule of Funding Progress for the Retiree Health Plan	55
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	58-59
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	60-61
Agency Funds:	
3 Combining Schedule of Fiduciary Assets and Liabilities	62-65
4 Combining Schedule of Changes in Fiduciary Assets and Liabilities	66-69
5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	70-71
6 Schedule of Expenditures of Federal Awards	72-73
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	74-75

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	76-77
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	78-86

MAHASKA COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Henry Van Weelden	Board of Supervisors	Jan. 2013
Ken Rozenboom	Board of Supervisors	Jan. 2015
Greg Gordy	Board of Supervisors	Jan. 2015
Kay Swanson	County Auditor	Jan. 2013
Sone Scott	County Treasurer	Jan. 2015
Diane Upton Crookham	County Recorder	Jan. 2015
Paul De Geest	County Sheriff	Jan. 2013
Rose Anne Mefford	County Attorney	Jan. 2015
Lindsey Thomas	County Assessor	Jan. 2016

INDEPENDENT AUDITOR'S REPORT

To the Officials of Mahaska County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Mahaska County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2013 on our consideration of Mahaska County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 12 and 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mahaska County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein). For the four years ended June 30, 2011 and the year ended June 30, 2005, we expressed unqualified opinions on those financial statements. For the two years ended June 30, 2007, we expressed a qualified opinion on the Secondary Roads Fund due to the effects of a written and held warrant and unqualified opinions on the governmental activities, General Fund, Mental Health Fund, Rural Services Fund, and the aggregate remaining fund information. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 21, 2013

Management's Discussion and Analysis

Management of Mahaska County provides this Management's Discussion and Analysis of Mahaska County's annual financial statements. This narrative overview and analysis of the financial activities of Mahaska County is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- County governmental funds revenue totaled \$16,238,910 for 2012, an increase of \$1,008,434 from 2011. This increase was due mainly to the following three factors: 1) Local Option Sales Tax monies in the amount of \$469,675 were reimbursed back to the county from the Oskaloosa Community School District as projects in the school district have been completed that were part of a 28E agreement between the district and the county. 2) The Mental Health Fund received \$335,820 in Medicaid revenues for the targeted Medicaid case managers program. 3) FEMA funds due to the county from previous years were received in the Secondary Road Fund in the amount of \$347,667. Property and other county taxes totaled \$8,059,028 for 2012, a decrease of \$108,268 over the prior year. Property tax levy rates in the General Basic Fund and Rural Services Fund remained consistent with rates in 2011 at 3.50 and 3.95 respectively. Property tax valuations showed an increase of approximately 4.0% from the previous year. The county lowered the General Supplemental levy rate by .45 in order to spend down fund balance during the year.
- County governmental funds functional expenditures totaled \$16,292,982 for 2012, an increase of \$996,402, from 2011 expenditures. Expenditures in the mental health function increased \$877,919 from the prior year due primarily to payment of the county's share of non-federal Medicaid services due prior to June 30, 2012. These services will no longer be the county's responsibility. Capital project monies in the amount of \$303,463 were expended in fiscal year 2012.
- The County's governmental fund balances at June 30, 2012, were \$9,825,822 a decrease of \$47,789 due to the above noted factors.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements.

- The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances.
- Fund financial statements immediately follow this report. For governmental activities these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.
- The remaining statements provide financial information about activities for which the County acts solely as an agent or custodian for the benefit of those outside the government (Agency Funds).

The County as a Whole Reporting

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

Most of the County's basic services are accounted for in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Supplementary Information

The supplementary information provides detailed information about the non-major governmental funds and the individual agency funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position.

STATEMENT OF NET ASSETS –GOVERNMENTAL ACTIVITIES

	2012	2011	2010
Current and other Assets	\$20,510,355	\$ 19,813,151	\$ 19,914,253
Capital assets	33,131,835	31,187,723	28,152,203
Total Assets	53,642,190	51,000,874	48,066,456
Long term debt outstanding	492,473	459,257	413,717
Other liabilities	9,045,141	8,638,910	8,706,907
Total liabilities	9,537,614	9,098,167	9,120,624
Net Assets			
Invested in capital assets	33,131,835	31,187,723	28,152,203
Restricted	5,312,504	5,514,510	6,559,444
Unrestricted	5,660,237	5,200,474	4,234,185
Total net assets	44,104,576	\$41,902,707	\$38,945,832

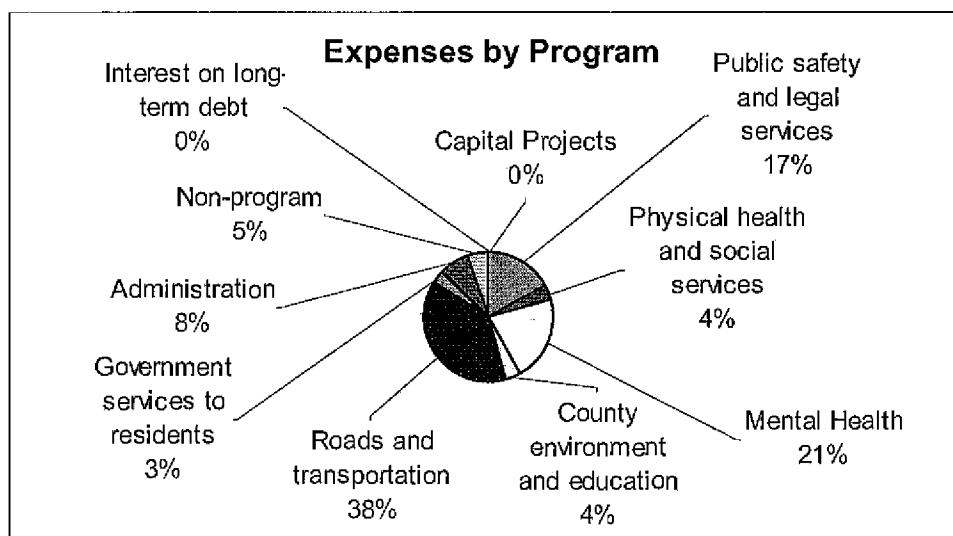
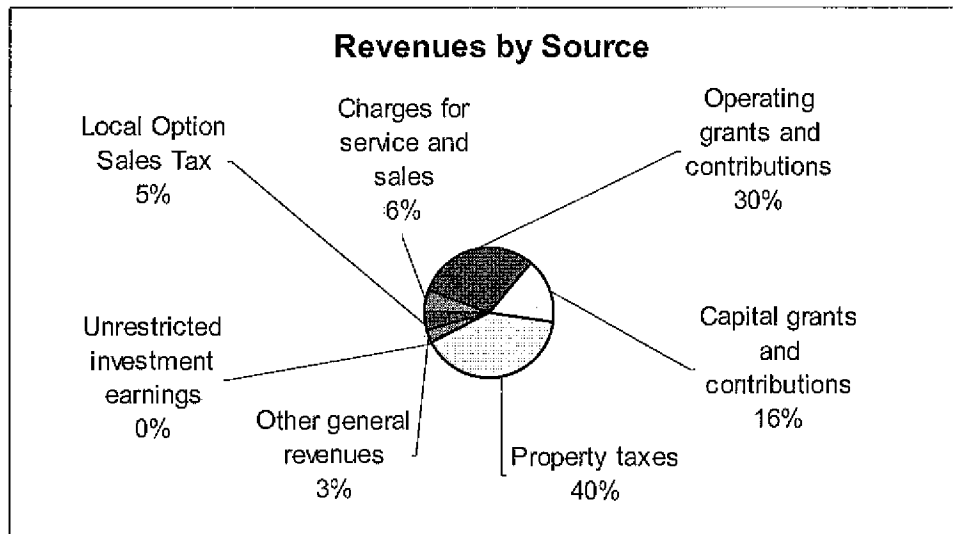
The County's combined net assets showed a 5.25% increase from a year ago, from \$41,902,707 to \$44,104,576. The largest portion of the County's net assets is the Invested in Capital Assets (that is, infrastructure, buildings and equipment). Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

The increase in net assets of \$2,201,869 for governmental activities is due to the following factors: A bridge on 325th Street along with paving projects on G71 and V13 were put into service during fiscal year 2012. These factors created a positive effect on net assets.

Changes in Net Assets of Governmental Activities

Program revenues:		
Charges for Service	\$1,114,367	\$1,038,607
Operating grants and contributions	5,722,325	5,394,734
Capital grants and contributions	3,030,610	3,554,797
General revenues:		
Property taxes, penalties & tax credits	7,485,780	7,652,623
Unrestricted investment earnings	54,875	79,855
Local Option sales and services tax	890,205	836,409
Other general revenues	517,966	108,235
Total Revenues:	\$18,816,128	\$18,665,260

	2012	2011
Program expenses:		
Public safety and legal services	\$2,874,081	\$2,806,282
Physical health and social services	610,868	657,325
Mental health	3,432,951	2,562,305
County environment and education	672,622	642,034
Roads and transportation	6,335,285	6,509,856
Government services to residents	536,990	555,389
Administration	1,274,536	1,135,988
Non-program	875,634	837,843
Interest on long-term debt	1,292	1,363
Total expenses	\$16,614,259	\$15,708,385
Increase (decrease) in net assets	2,201,869	2,956,875
Net assets July 1, 2011	\$41,902,707	\$38,945,832
Net assets June 30, 2012	\$44,104,576	\$41,902,707



THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported combined fund balances of \$9,825,822. Revenue received in the County funds was \$54,072 less than was expended for the year. The following are the major reasons for the changes in fund balances for the year:

Expenditures in the General Fund showed an increase from \$5,149,926 to \$5,663,598 when compared to the prior year. Revenues in the General Fund increased \$348,808 over the prior year, due primarily to Local Option Sales Tax reimbursements received from Oskaloosa Community School District. The County lowered the General Supplemental Fund levy from 1.40 to .95 compared to the previous year resulting in \$237,998 less property and other county taxes collected. The General Basic Fund levy remained at 3.50. The ending fund balance showed an increase from the prior year of \$160,267.

Mental Health revenues increased from \$2,965,771 in 2011 to \$3,235,229. As the County budgeted for the year the levy was lowered from 1.38183 to 1.34008. Expenditures for the year totaled \$3,443,500, up \$877,919 from the year before. After July 1, 2012 the County will no longer be responsible for a share of the non-federal share of Medicaid bills. Expenditures in the mental health fund increased as the county paid for these services rendered prior to June 30, 2012. The Mental Health Fund showed an ending fund balance decrease of \$208,271.

The Rural Services Fund property tax levy remained at \$3.95 which is the maximum allowed. The ending fund balance showed a decrease of \$16,637 compared to 2011 after the full transfer to the Secondary Roads Fund.

Capital Projects expenditures in the Secondary Roads Fund totaled \$303,463 a decrease of \$639,573 from the previous year. FEMA monies received from the federal government that were due from previous years increased Secondary Road Intergovernmental Revenue by \$149,749. The Secondary Road fund balance at the end of the year decreased from \$1,721,290 to \$1,689,954 a difference of \$31,336.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except internal service and agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis.

Over the course of the year, the County amended its operating budget twice. The first amendment was made on May 21, 2012 and resulted in an increase in the mental health function for non-federal share of Medicaid payments as well as other smaller changes. The amendment increased total budgeted disbursements for the County by \$1,494,569 and increased receipts by \$1,773,386. A second amendment was made on May 29, 2012 increasing budgeted disbursements in the Public Safety and Legal Services function \$30,000. Disbursements in the non-program function exceeded the amount budgeted at year end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY12, the County had \$33,131,835 (net of accumulated depreciation) invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of \$1,944,112. The following roads and transportation projects were put into service during the fiscal year at a total value of

\$2,880,004: Bridge on 325th St and paving projects on G71 and V13. Depreciation expense for the year ended June 30, 2012 was \$1,699,464 and total accumulated depreciation as of June 30, 2012 was \$27,376,666.

Capital Assets, Net of Accumulated Depreciation

	2012	2011
Land	897,924	\$897,924
Construction in progress	88,166	0
Buildings and Imp	3,679,472	3,609,388
Machinery & equip	1,437,064	1,353,295
Infrastructure	27,029,209	25,327,116
TOTALS	33,131,835	\$31,187,723

Long-Term Liabilities

At year-end, the County had \$492,473 in loans and other long term liabilities compared to \$459,257 a year ago, as shown below.

Annual payments continue to be made on the Intermediary Relending Program Loan from the USDA. Liability for Other Postemployment Benefits (OPEB) was added to the debt schedule in 2009 through the implementation of GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions). This reflects the liability the County incurs from medical benefits provided for retirees.

Outstanding Debt at Year End

	2012	2011
Intermediary Relending Program Loan	124,940	132,108
Compensated Absences	197,533	199,149
Net OPEB Liability	170,000	128,000
TOTALS	492,473	459,257

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials and citizens considered many factors when setting the 2013 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Amounts available for appropriation in the operating budget are \$15,583,147 compared to \$15,641,092 in 2012, a decrease of approximately 0.37% over the original 2012 budget. Budgeted Secondary Road Capital Projects showed a decrease of \$40,000 compared to 2012.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Mahaska County, at 106 S. 1st St., Oskaloosa, IA 52577.

Basic Financial Statements

MAHASKA COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 11,953,772
Investments held by fiscal agent	5,918
Receivables:	
Property tax:	
Delinquent	11,594
Succeeding year	6,852,000
Interest and penalty on property tax	87,760
Accounts	292,486
Accrued interest	9,185
Due from other governments	670,100
Inventories	381,366
Loans receivable (note 4)	246,174
Capital assets, net of accumulated depreciation (note 5)	<u>33,131,835</u>
Total assets	<u>53,642,190</u>
Liabilities	
Accounts payable	825,399
Salaries and benefits payable	84,182
Due to other governments (note 6)	1,014,288
Accrued interest payable	520
Incurred but not reported health claims (note 11)	160,000
Deferred revenue:	
Succeeding year property tax	6,852,000
Other	108,752
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Intermediary relending program loan	7,240
Compensated absences	197,533
Portion due or payable after one year:	
Intermediary relending program loan	117,700
Net OPEB liability	<u>170,000</u>
Total liabilities	<u>9,537,614</u>

MAHASKA COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 33,131,835
Restricted for:	
Supplemental levy purposes	1,298,953
Cemetery levy purposes	7,472
Mental health purposes	785,556
Rural services purposes	434,078
Secondary roads purposes	1,624,923
Conservation purposes	508,984
Other purposes	652,538
Unrestricted	<u>5,660,237</u>
Total net assets	<u>\$ 44,104,576</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions		
Governmental Activities:						
Public safety and legal services	\$ 2,874,081	\$ 230,563	\$ 261,526	\$ -	\$ (2,381,992)	
Physical health and social services	610,868	3,235	139,630	-	(468,003)	
Mental health	3,432,951	9,812	2,005,049	-	(1,418,090)	
County environment and education	672,622	75,322	103,892	100,000	(393,408)	
Roads and transportation	6,335,285	409,688	3,211,436	2,930,610	216,449	
Government services to residents	536,990	362,464	169	-	(174,357)	
Administration	1,274,536	23,283	623	-	(1,250,630)	
Non-program	875,634	-	-	-	(875,634)	
Interest on long-term debt	1,292	-	-	-	(1,292)	
Total	\$ 16,614,259	\$ 1,114,367	\$ 5,722,325	\$ 3,030,610	(6,746,957)	

General Revenues:

Property and other county tax levied for:	
General purposes	7,169,003
Penalty and interest on property tax	55,199
State tax credits	261,578
Local option sales and services tax	890,205
Unrestricted investment earnings	54,875
Miscellaneous	<u>517,966</u>
Total general revenues	<u>8,948,826</u>
Change in net assets	2,201,869
Net assets beginning of year	<u>41,902,707</u>
Net assets end of year	\$ <u><u>44,104,576</u></u>

See notes to financial statements.

This page intentionally left blank

MAHASKA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 6,192,641	\$ 1,694,976	\$ 476,723	\$ 1,608,817
Investments held by fiscal agent	5,918	-	-	-
Receivables:				
Property tax:				
Delinquent	6,657	2,183	2,754	-
Succeeding year	3,582,000	1,174,000	2,096,000	-
Interest and penalty on property tax	87,760	-	-	-
Accounts	117,890	120,551	150	14,823
Accrued interest	5,934	-	-	-
Due from other governments	247,166	16,843	-	267,989
Inventories	-	-	-	381,366
Loans receivable (note 4)	-	-	-	-
Total assets	<u>\$ 10,245,966</u>	<u>\$ 3,008,553</u>	<u>\$ 2,575,627</u>	<u>\$ 2,272,995</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 524,773	\$ 10,497,930
-	5,918
-	11,594
-	6,852,000
-	87,760
1,064	254,478
3,251	9,185
138,102	670,100
-	381,366
<u>246,174</u>	<u>246,174</u>
<u>\$ 913,364</u>	<u>\$ 19,016,505</u>

MAHASKA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 198,113	\$ 137,043	\$ 5,749	\$ 484,494
Salaries and benefits payable	48,492	4,527	3,149	28,014
Due to other governments (note 6)	-	891,438	-	-
Deferred revenue:				
Succeeding year property tax	3,582,000	1,174,000	2,096,000	-
Other	93,274	2,110	2,723	70,533
Total liabilities	3,921,879	2,209,118	2,107,621	583,041
Fund balances:				
Nonspendable:				
Inventories	-	-	-	381,366
Restricted for:				
Supplemental levy purposes	1,370,135	-	-	-
Cemetery levy purposes	7,464	-	-	-
Mental health purposes	-	799,435	-	-
Rural services purposes	-	-	468,006	-
Secondary roads purposes	-	-	-	1,308,588
Courthouse security	97,917	-	-	-
Conservation purposes	388,340	-	-	-
Other purposes	10,211	-	-	-
Assigned for:				
Mapping	15,000	-	-	-
Technology	35,000	-	-	-
Maintenance for courthouse building and grounds	200,000	-	-	-
Future conservation nature center	20,000	-	-	-
Public safety purposes	938,610	-	-	-
Unassigned	3,241,410	-	-	-
Total fund balances	6,324,087	799,435	468,006	1,689,954
Total liabilities and fund balances	\$ 10,245,966	\$ 3,008,553	\$ 2,575,627	\$ 2,272,995

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 825,399
-	84,182
122,850	1,014,288
-	6,852,000
246,174	414,814
<u>369,024</u>	<u>9,190,683</u>
-	381,366
-	1,370,135
-	7,464
-	799,435
-	468,006
-	1,308,588
-	97,917
120,644	508,984
423,696	433,907
-	15,000
-	35,000
-	200,000
-	20,000
-	938,610
-	3,241,410
<u>544,340</u>	<u>9,825,822</u>
<u>\$ 913,364</u>	<u>\$ 19,016,505</u>

MAHASKA COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total fund balances of governmental funds \$ 9,825,822

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not current financial
resources and, therefore, are not reported as assets in the governmental
funds. The cost of assets is \$60,508,501 and the accumulated depreciation
is \$27,376,666. 33,131,835

Other long-term assets are not available to pay current period expenditures
and, therefore, are deferred in the governmental funds. 414,814

The Internal Service Fund is used by management to charge the costs of
the self funding of the County's health insurance benefit plan to individual
funds. The assets and liabilities of the Internal Service Fund are included
in governmental activities in the Statement of Net Assets. 1,225,098

Accrued interest payable on long-term liabilities is not due and payable in
the current period and, therefore, is not reported as a liability in the
governmental funds. (520)

Long-term liabilities, including loans payable, compensated absences
payable, and net OPEB liability, are not due and payable in the current period
and, therefore, are not reported as liabilities in the governmental funds. (492,473)

Net assets of governmental activities \$ 44,104,576

See notes to financial statements.

This page intentionally left blank

MAHASKA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 3,946,661	\$ 1,178,237	\$ 2,043,925	\$ -
Interest and penalty on property tax	50,171	-	-	-
Intergovernmental	704,365	2,047,180	93,015	3,388,974
Licenses and permits	1,553	-	11,375	6,365
Charges for service	565,899	-	-	-
Use of money and property	180,407	-	-	-
Miscellaneous	529,431	9,812	140,589	397,040
Total revenues	<u>5,978,487</u>	<u>3,235,229</u>	<u>2,288,904</u>	<u>3,792,379</u>
Expenditures:				
Operating:				
Public safety and legal services	2,687,639	-	260,244	-
Physical health and social services	544,356	-	68,553	-
Mental health	-	3,443,500	-	-
County environment and education	697,784	-	190,737	-
Roads and transportation	-	-	1,041	5,294,391
Government services to residents	548,748	-	-	-
Administration	1,184,390	-	3,580	-
Non-program	681	-	168,152	-
Debt service	-	-	-	-
Capital projects	-	-	-	303,463
Total expenditures	<u>5,663,598</u>	<u>3,443,500</u>	<u>692,307</u>	<u>5,597,854</u>
Excess (deficiency) of revenues over (under) expenditures	314,889	(208,271)	1,596,597	(1,805,475)
Other financing sources (uses):				
Sale of capital assets	-	-	-	6,283
Interfund transfers in (note 3)	-	-	-	1,767,856
Interfund transfers out (note 3)	(154,622)	-	(1,613,234)	-
Total other financing sources (uses)	<u>(154,622)</u>	<u>-</u>	<u>(1,613,234)</u>	<u>1,774,139</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 890,205	\$ 8,059,028
-	50,171
35,381	6,268,915
-	19,293
3,953	569,852
13,747	194,154
625	1,077,497
<u>943,911</u>	<u>16,238,910</u>
1,474	2,949,357
-	612,909
-	3,443,500
852	889,373
-	5,295,432
9,954	558,702
-	1,187,970
874,953	1,043,786
8,490	8,490
-	303,463
<u>895,723</u>	<u>16,292,982</u>
48,188	(54,072)
-	6,283
-	1,767,856
-	(1,767,856)
<u>-</u>	<u>6,283</u>

MAHASKA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 160,267	\$ (208,271)	\$ (16,637)	\$ (31,336)
Fund balances beginning of year	6,163,820	1,007,706	484,643	1,721,290
Fund balances end of year	<u>\$ 6,324,087</u>	<u>\$ 799,435</u>	<u>\$ 468,006</u>	<u>\$ 1,689,954</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 48,188	\$ (47,789)
<u>496,152</u>	<u>9,873,611</u>
<u>\$ 544,340</u>	<u>\$ 9,825,822</u>

MAHASKA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (47,789)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlay
expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 961,037	
Capital assets contributed by the Iowa Department of Transportation	2,682,539	
Depreciation expense	<u>(1,699,464)</u>	1,944,112

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds, as follows:

Property tax	180	
Loan payments	(21,300)	
Other	<u>75,561</u>	54,441

Repayment of long-term liabilities is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the Statement of
Net Assets. 7,168

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

Compensated absences	1,616	
Net OPEB liability	(42,000)	
Interest on long-term debt	<u>30</u>	(40,354)

The Internal Service Fund is used by management to charge the costs of
the self funding of the County's health insurance benefit plan to individual
funds. The change in net assets of the Internal Service Fund is reported
with governmental activities.

284,291

Change in net assets of governmental activities \$ 2,201,869

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 1,455,842
Accounts receivable	<u>38,008</u>
Total assets	<u>1,493,850</u>
Liabilities	
Incurred but not reported health claims (note 11)	160,000
Deferred revenue	<u>108,752</u>
Total liabilities	<u>268,752</u>
Net Assets	
Unrestricted	<u>\$ 1,225,098</u>

See notes to financial statements.

MAHASKA COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds and others	\$ 1,555,133
Stop loss reimbursements	<u>122,358</u>
Total operating revenues	<u>1,677,491</u>
Operating expenses:	
Medical claims	1,084,452
Insurance premiums	285,152
Administrative fees	13,262
Miscellaneous	<u>12,441</u>
Total operating expenses	<u>1,395,307</u>
Operating income	282,184
Non-operating revenues:	
Interest on investments	<u>2,107</u>
Net income	284,291
Net assets beginning of year	<u>940,807</u>
Net assets end of year	<u>\$ 1,225,098</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2012

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to operating funds and others	\$ 1,555,882
Cash received from stop loss reimbursements	88,762
Cash payments to suppliers for services	<u>(1,460,307)</u>
Net cash provided by operating activities	<u>184,337</u>
Cash flows from investing activities:	
Interest on investments	<u>2,107</u>
Net increase in cash and cash equivalents	186,444
Cash and cash equivalents beginning of year	<u>1,269,398</u>
Cash and cash equivalents end of year	<u>\$ 1,455,842</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 282,184
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	(33,596)
(Decrease) in incurred but not reported health claims	(65,000)
Increase in deferred revenue	<u>749</u>
Net cash provided by operating activities	<u>\$ 184,337</u>

See notes to financial statements.

MAHASKA COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

Assets	
Cash and pooled investments:	
County Treasurer	\$ 1,500,924
Other County officials	206,028
Receivables:	
Property tax:	
Delinquent	45,239
Succeeding year	21,738,000
Accounts	20,320
Accrued interest	3,709
Due from other governments	<u>75,954</u>
Total assets	<u>\$ 23,590,174</u>
Liabilities	
Accounts payable	\$ 184,932
Salaries and benefits payable	12,757
Due to other governments (note 6)	23,245,741
Trusts payable	94,503
Compensated absences	<u>52,241</u>
Total liabilities	<u>\$ 23,590,174</u>

See notes to financial statements.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Mahaska County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Mahaska County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Mahaska County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Mahaska County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Mahaska County Auditor's office. The drainage districts had no assets or liabilities at June 30, 2012.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Mahaska County Assessor's Conference Board, Mahaska County Emergency Management Commission, and Mahaska County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Intangibles	\$ 125,000
Infrastructure	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the proprietary fund consists of prepaid health insurance charges.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and health insurance charges that will not be recognized as revenue until the year for which the related premiums are due.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Fund Equity (continued)

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the non-program function and disbursements in the property taxes department exceeded the amount appropriated prior to the amendment of the appropriations.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

During the two years ended June 30, 2009, the County transferred a total of \$252,716 received by the County through an estate bequest to a local non-profit organization (Foundation). The original \$252,716 investment was transferred back to the County during the year ended June 30, 2011. At June 30, 2012, the carrying amount and fair value of the remaining balance was \$5,918. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 154,622
	Special Revenue: Rural Services	<u>1,613,234</u>
		<u>\$ 1,767,856</u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 3. Interfund Transfers (continued)

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Loans Receivable

The County has \$617,573 available to use for revolving loans for economic development within the County, of which \$246,174 was loaned at June 30, 2012. The original amounts were previously provided through a Community Development Block Grant and a Community Economic Betterment Account Grant. Additional amounts were made available through an Intermediary Relending Program Loan (see note 7). The County may make new loans from repayments of both principal and interest. As of June 30, 2012 there were four outstanding loans. All payments are current.

Mahaska Community Development Group -- 5% interest loan payable in monthly installments of \$384.97, including interest.

Beyond Elegance -- 4% loan payable in monthly installments of \$818.07, including interest, with an \$80,124 balloon payment on April 1, 2016.

Randau Family Agency -- 4% interest loan payable in monthly installments of \$184.92, including interest.

Sterling Properties -- 4.25% interest loan payable in monthly installments of \$1,024.38, including interest.

The following is a schedule of payments showing amounts to be collected over the life of the loans:

Year Ending June 30,	Mahaska Community Development Group	Beyond Elegance	Randau Family Agency	Sterling Properties	Less: Amount Representing Interest	Total
2013	\$ 4,620	\$ 9,817	\$ 2,219	\$ 12,293	\$ (10,160)	\$ 18,789
2014	4,620	9,817	2,219	12,293	(9,347)	19,602
2015	4,620	9,817	2,219	12,293	(8,498)	20,451
2016	4,620	88,304	2,219	12,293	(7,088)	100,348
2017	4,620	-	2,219	12,293	(3,652)	15,480
2018-2022	23,098	-	9,431	28,680	(9,200)	52,009
2023-2027	21,942	-	-	-	(2,447)	19,495
	<u>\$ 68,140</u>	<u>\$ 117,755</u>	<u>\$ 20,526</u>	<u>\$ 90,145</u>	<u>\$ (50,392)</u>	<u>\$ 246,174</u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 897,924	\$ -	\$ -	\$ 897,924
Construction in progress	-	88,166	-	88,166
Total capital assets not being depreciated	897,924	88,166	-	986,090
Capital assets being depreciated:				
Buildings	7,980,247	-	-	7,980,247
Improvements other than buildings	-	236,665	-	236,665
Machinery and equipment	6,897,452	438,741	143,745	7,192,448
Infrastructure	41,233,047	2,880,004	-	44,113,051
Total capital assets being depreciated	56,110,746	3,555,410	143,745	59,522,411
Less accumulated depreciation for:				
Buildings	4,370,859	160,960	-	4,531,819
Improvements other than buildings	-	5,621	-	5,621
Machinery and equipment	5,544,157	354,972	143,745	5,755,384
Infrastructure	15,905,931	1,177,911	-	17,083,842
Total accumulated depreciation	25,820,947	1,699,464	143,745	27,376,666
Total capital assets being depreciated, net	30,289,799	1,855,946	-	32,145,745
Governmental activities capital assets, net	\$ 31,187,723	\$ 1,944,112	\$ -	\$ 33,131,835

MAHASKA COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	73,898
County environment and education		49,643
Roads and transportation		1,455,647
Administration		<u>120,276</u>
Total depreciation expense - governmental activities	\$	<u><u>1,699,464</u></u>

Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ 891,438
Local Option Sales and Services Tax Revenue		<u>122,850</u>
Total for governmental funds		<u><u>\$ 1,014,288</u></u>
Agency:		
County Assessor	Collections	\$ 489,760
County Hospital		1,850,490
Schools		13,446,010
Area Schools		711,210
Corporations		5,233,685
Stephens Memorial Animal Shelter		429,701
Auto License and Use Tax		497,833
All Other		<u>587,052</u>
Total for agency funds		<u><u>\$ 23,245,741</u></u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Intermediary Relending Program Loan	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 132,108	\$ 199,149	\$ 128,000	\$ 459,257
Increases	-	197,533	42,000	239,533
Decreases	7,168	199,149	-	206,317
Balance end of year	<u>\$ 124,940</u>	<u>\$ 197,533</u>	<u>\$ 170,000</u>	<u>\$ 492,473</u>
Due within one year	<u>\$ 7,240</u>	<u>\$ 197,533</u>	<u>\$ -</u>	<u>\$ 204,773</u>

Intermediary Relending Program Loan

In January 1998, the County entered into an agreement with the U.S. Department of Agriculture whereby the County will receive up to \$200,000 through the Intermediary Relending Program. The money will be relent by the County to eligible local businesses for the purpose of economic development. The County must first repay the loan to the Department of Agriculture, interest only, at a fixed rate of 1% per annum, for the first three years, with subsequent payment of principal and interest in 27 equal annual amortized installments beginning on the fourth anniversary of the date the County began the program.

Details of the County's June 30, 2012 intermediary relending program loan indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 7,240	\$ 1,249	\$ 8,489
2014	7,312	1,177	8,489
2015	7,385	1,104	8,489
2016	7,459	1,030	8,489
2017	7,534	955	8,489
2018-2022	38,812	3,633	42,445
2023-2027	40,793	1,652	42,445
2028	8,405	83	8,488
	<u>\$ 124,940</u>	<u>\$ 10,883</u>	<u>\$ 135,823</u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 101 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a self-funded medical plan, is administered by First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 51,000
Interest on net OPEB obligation	5,000
Adjustment to annual required contribution	<u>(5,000)</u>
Annual OPEB cost	51,000
Contributions made	<u>(9,000)</u>
Increase in net OPEB obligation	42,000
Net OPEB obligation beginning of year	<u>128,000</u>
Net OPEB obligation end of year	<u>\$ 170,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$9,000 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 51,000	17.6%	\$ 170,000

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Other Postemployment Benefits (OPEB) (continued)

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$445,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$445,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,982,000 and the ratio of the UAAL to covered payroll was 11.1%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$580 per month for retirees less than age 55, \$754 per month for retirees aged 55 to 59, and \$928 per month for retirees aged 60 to 64. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 9. Pension and Retirement Benefits (continued)

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$376,343, \$343,001 and \$304,507, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Mahaska County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool with ten member Counties throughout the State of Iowa. The Pool was formed in July 1987 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, and workers compensation. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$184,786.

Initial risk of loss is retained by the Pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement and public officials liabilities, \$750,000 per occurrence for workers compensation, and \$100,000 per occurrence for property losses. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2012, the Pool maintained a surplus over the reserves and IBNR claims.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 10. Risk Management (continued)

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bond in the amount of \$25,000 (\$50,000 for County Treasurer). The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is administered through a service agreement with First Administrators. The agreement, which was effective July 1, 2009, is subject to automatic renewal provisions.

The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$45,000 in insured claims for any one covered individual. The County assumes liability for claims up to the individual stop-loss limitation of \$45,000.

Monthly payments of service fees and plan contributions to the Mahaska County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to First Administrators from the Mahaska County Employee Group Health Fund. MidWestOne Bank, trustee for the plan, administers the funds of the plan in accordance with the provision of a trust agreement entered into by Mahaska County and MidWestOne Bank. The County records the plan assets and related liabilities for the Mahaska County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2012 was \$1,203,252.

Amounts payable from the Employee Group Health Fund at June 30, 2012 total \$160,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$1,225,098 at June 30, 2012 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2011	\$ 225,000
Incurred claims (including claims incurred but not reported at June 30, 2012)	1,084,452
Payments	<u>(1,149,452)</u>
Unpaid claims at June 30, 2012	<u>\$ 160,000</u>

MAHASKA COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 12. Construction Commitment

The County has entered into a contract totaling \$383,536 for a bridge replacement. As of June 30, 2012, costs of \$88,166 have been incurred against the contract. The balance remaining at June 30, 2012 of \$295,370 will be paid as work on the project progresses.

Note 13. Mahaska County Care Facility

The Mahaska County Care Facility is managed and operated by Country Life Health Care, Inc. The County is leasing the Care Facility site to Country Life Health Care, Inc. for a one year period which ends June 30, 2012. The County provides financial support for the operation of the Care Facility. The lease is reviewed on an annual basis and has been renewed for the upcoming year.

Note 14. Contingent Liability

The County is the defendant in an ongoing lawsuit. The outcome of the case can not be determined at this time. The County's insurance carrier is providing coverage for the lawsuit.

Note 15. Subsequent Event

In August 2012, the County entered into a contract totaling \$145,343 for a drainage structure.

This page intentionally left blank

Required Supplementary Information

MAHASKA COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2012

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 8,053,018	\$ 8,278,188	\$ 8,278,188	\$ (225,170)
Interest and penalty on property tax	49,491	10,000	29,626	19,865
Intergovernmental	6,138,967	4,680,485	5,889,554	249,413
Licenses and permits	20,173	17,450	17,450	2,723
Charges for service	510,745	568,250	603,380	(92,635)
Use of money and property	199,011	267,294	278,136	(79,125)
Miscellaneous	995,513	47,400	546,119	449,394
Total receipts	<u>15,966,918</u>	<u>13,869,067</u>	<u>15,642,453</u>	<u>324,465</u>
DISBURSEMENTS:				
Public safety and legal services	2,892,304	2,905,762	3,010,012	117,708
Physical health and social services	606,794	837,086	837,336	230,542
Mental health	3,006,027	2,748,025	3,498,025	491,998
County environment and education	848,074	970,679	980,620	132,546
Roads and transportation	5,220,352	5,007,500	5,482,048	261,696
Government services to residents	555,905	639,379	639,379	83,474
Administration	1,171,249	1,344,171	1,344,299	173,050
Non-program	1,053,190	980,000	980,000	(73,190)
Debt service	8,490	8,490	8,490	-
Capital projects	217,237	200,000	385,452	168,215
Total disbursements	<u>15,579,622</u>	<u>15,641,092</u>	<u>17,165,661</u>	<u>1,586,039</u>
Excess (deficiency) of receipts over (under) disbursements	387,296	(1,772,025)	(1,523,208)	1,910,504
Other financing sources, net	<u>6,283</u>	-	-	<u>6,283</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	393,579	(1,772,025)	(1,523,208)	1,916,787
Balance beginning of year	<u>10,110,269</u>	<u>8,611,884</u>	<u>8,611,884</u>	<u>1,498,385</u>
Balance end of year	<u>\$ 10,503,848</u>	<u>\$ 6,839,859</u>	<u>\$ 7,088,676</u>	<u>\$ 3,415,172</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 15,966,918	\$ 271,992	\$ 16,238,910
Expenditures	15,579,622	713,360	16,292,982
Net	387,296	(441,368)	(54,072)
Other financing sources, net	6,283	-	6,283
Beginning fund balances	10,110,269	(236,658)	9,873,611
Ending fund balances	<u>\$ 10,503,848</u>	<u>\$ (678,026)</u>	<u>\$ 9,825,822</u>

See accompanying independent auditor's report.

MAHASKA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,524,569. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the non-program function. Disbursements in the property taxes department exceeded the amount appropriated prior to the amendment of the appropriations.

MAHASKA COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 445	\$ 445	0.0%	\$ 3,936	11.3%
2011	July 1, 2009	-	445	445	0.0%	4,120	10.8%
2012	July 1, 2009	-	445	445	0.0%	3,982	11.1%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

This page intentionally left blank

Supplementary Information

MAHASKA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue		
	County Recorder's Records Management	Resource Enhancement and Protection	Revolving Loan
Assets			
Cash and pooled investments	\$ 21,970	\$ 119,894	\$ 369,067
Receivables:			
Accounts	1,064	-	-
Accrued interest	169	750	2,332
Due from other governments	-	-	-
Loans receivable	-	-	246,174
Total assets	\$ 23,203	\$ 120,644	\$ 617,573
Liabilities and Fund Balances			
Liabilities:			
Due to other governments	\$ -	\$ -	-
Deferred revenue:			
Other	-	-	246,174
Total liabilities	-	-	246,174
Fund balances:			
Restricted for:			
Conservation purposes	-	120,644	-
Other purposes	23,203	-	371,399
Total fund balances	23,203	120,644	371,399
Total liabilities and fund balances	\$ 23,203	\$ 120,644	\$ 617,573

See accompanying independent auditor's report.

Local Option Sales and Services Tax Revenue	County Sheriff's Forfeiture	Total
\$ -	\$ 13,842	\$ 524,773
-	-	1,064
-	-	3,251
138,102	-	138,102
-	-	246,174
<u>\$ 138,102</u>	<u>\$ 13,842</u>	<u>\$ 913,364</u>
\$ 122,850	\$ -	\$ 122,850
-	-	246,174
<u>122,850</u>	<u>-</u>	<u>369,024</u>
-	-	120,644
15,252	13,842	423,696
<u>15,252</u>	<u>13,842</u>	<u>544,340</u>
<u>\$ 138,102</u>	<u>\$ 13,842</u>	<u>\$ 913,364</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue		
	County Recorder's Records Management	Resource Enhancement and Protection	Revolving Loan
Revenues:			
Property and other County tax	\$ -	\$ -	\$ -
Intergovernmental	-	13,045	22,336
Charges for service	3,953	-	-
Use of money and property	169	750	12,828
Miscellaneous	-	-	-
Total revenues	4,122	13,795	35,164
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	852	-
Government services to residents	9,954	-	-
Non-program	-	-	-
Debt service	-	-	8,490
Total expenditures	9,954	852	8,490
Excess (deficiency) of revenues over (under) expenditures	(5,832)	12,943	26,674
Fund balances beginning of year	29,035	107,701	344,725
Fund balances end of year	\$ 23,203	\$ 120,644	\$ 371,399

See accompanying independent auditor's report.

Local Option Sales and Services Tax Revenue		County Sheriff's Forfeiture	Total
\$	890,205	\$ -	\$ 890,205
	-	-	35,381
	-	-	3,953
	-	-	13,747
	-	625	625
	890,205	625	943,911
	-	1,474	1,474
	-	-	852
	-	-	9,954
	874,953	-	874,953
	-	-	8,490
	874,953	1,474	895,723
	15,252	(849)	48,188
	-	14,691	496,152
\$	<u>15,252</u>	\$ <u>13,842</u>	\$ <u>544,340</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	245,415
Other County officials	13,318	46,940	145,770	-
Receivables:				
Property tax:				
Delinquent	-	-	-	468
Succeeding year	-	-	-	252,000
Accounts	-	269	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 13,318	\$ 47,209	\$ 145,770	\$ 497,883
LIABILITIES				
Accounts payable	\$ -	\$ 32,330	\$ 64,685	\$ 4,405
Salaries and benefits payable	-	-	-	2,674
Due to other governments	-	14,879	-	489,760
Trusts payable	13,318	-	81,085	-
Compensated absences	-	-	-	1,044
Total liabilities	\$ 13,318	\$ 47,209	\$ 145,770	\$ 497,883

Agricultural Extension Education	County Hospital	Schools	Area Schools	Townships	Corporations	Lynndana Sanitary Sewer District
\$ 1,947	\$ 19,091	\$ 141,574	\$ 7,890	\$ 3,394	\$ 48,857	\$ 4
-	-	-	-	-	-	-
357	3,399	25,436	1,320	425	13,828	-
192,000	1,828,000	13,279,000	702,000	310,000	5,171,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 194,304</u>	<u>\$ 1,850,490</u>	<u>\$ 13,446,010</u>	<u>\$ 711,210</u>	<u>\$ 313,819</u>	<u>\$ 5,233,685</u>	<u>\$ 1,004</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
194,304	1,850,490	13,446,010	711,210	313,819	5,233,685	1,004
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 194,304</u>	<u>\$ 1,850,490</u>	<u>\$ 13,446,010</u>	<u>\$ 711,210</u>	<u>\$ 313,819</u>	<u>\$ 5,233,685</u>	<u>\$ 1,004</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

	Brucellosis and Tuberculosis Eradication	City Special Assessments	Emergency Management Services	Stephens Memorial Animal Shelter
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 29	\$ 1,145	\$ 14,385	\$ 437,993
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	6	-	-	-
Succeeding year	3,000	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	2,833
Due from other governments	-	-	62,907	-
Total assets	<u>\$ 3,035</u>	<u>\$ 1,145</u>	<u>\$ 77,292</u>	<u>\$ 440,826</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 67,919	\$ 8,521
Salaries and benefits payable	-	-	1,157	1,947
Due to other governments	3,035	1,145	7,059	429,701
Trusts payable	-	-	-	-
Compensated absences	-	-	1,157	657
Total liabilities	<u>\$ 3,035</u>	<u>\$ 1,145</u>	<u>\$ 77,292</u>	<u>\$ 440,826</u>

See accompanying independent auditor's report.

<u>Auto License and Use Tax</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Unclaimed Property</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 497,833	\$ 41	\$ 80,836	\$ 100	\$ 390	\$ 1,500,924
-	-	-	-	-	206,028
-	-	-	-	-	45,239
-	-	-	-	-	21,738,000
-	-	20,051	-	-	20,320
-	-	543	-	333	3,709
-	-	13,047	-	-	75,954
<u>\$ 497,833</u>	<u>\$ 41</u>	<u>\$ 114,477</u>	<u>\$ 100</u>	<u>\$ 723</u>	<u>\$ 23,590,174</u>
\$ -	\$ -	\$ 7,072	\$ -	\$ -	\$ 184,932
-	-	6,979	-	-	12,757
497,833	41	51,043	-	723	23,245,741
-	-	-	100	-	94,503
-	-	49,383	-	-	52,241
<u>\$ 497,833</u>	<u>\$ 41</u>	<u>\$ 114,477</u>	<u>\$ 100</u>	<u>\$ 723</u>	<u>\$ 23,590,174</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2012

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 13,249	\$ 47,343	\$ 52,545	\$ 880,897
Additions:				
Property and other County tax	-	-	-	254,590
E-911 surcharge	-	-	-	-
E-911 local contributions	-	-	-	-
State tax credits	-	-	-	15,837
Federal grants	-	-	-	-
Office fees and collections	-	328,234	188,345	706
Drivers license fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	-
Trusts	69	-	341,307	-
Miscellaneous	-	-	-	-
Total additions	69	328,234	529,652	271,133
Deductions:				
Agency remittances:				
To other funds	-	118,907	116,411	-
To other governments	-	209,461	7,249	654,147
Trusts paid out	-	-	312,767	-
Total deductions	-	328,368	436,427	654,147
Balances end of year	\$ 13,318	\$ 47,209	\$ 145,770	\$ 497,883

<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Townships</u>	<u>Corporations</u>	<u>Lynndana Sanitary Sewer District</u>
\$ <u>189,207</u>	\$ <u>1,859,646</u>	\$ <u>13,905,305</u>	\$ <u>767,891</u>	\$ <u>302,466</u>	\$ <u>5,468,444</u>	\$ <u>1,009</u>
193,541	1,838,541	13,327,990	706,700	315,451	5,052,472	1,130
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,741	66,094	491,508	27,310	11,892	161,220	43
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
200,282	1,904,635	13,819,498	734,010	327,343	5,213,692	1,173
-	-	-	-	-	-	-
195,185	1,913,791	14,278,793	790,691	315,990	5,448,451	1,178
-	-	-	-	-	-	-
195,185	1,913,791	14,278,793	790,691	315,990	5,448,451	1,178
\$ <u>194,304</u>	\$ <u>1,850,490</u>	\$ <u>13,446,010</u>	\$ <u>711,210</u>	\$ <u>313,819</u>	\$ <u>5,233,685</u>	\$ <u>1,004</u>

MAHASKA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2012

	Brucellosis and Tuberculosis Eradication	City Special Assessments	Emergency Management Services	Stephens Memorial Animal Shelter	Auto License and Use Tax
ASSETS AND LIABILITIES					
Balances beginning of year	\$ 3,034	\$ 984	\$ (1,595)	\$ 483,794	\$ 472,889
Additions:					
Property and other County tax	2,832	-	-	-	-
E-911 surcharge	-	-	-	-	-
E-911 local contributions	-	-	-	-	-
State tax credits	101	-	-	-	-
Federal grants	-	-	158,087	-	-
Office fees and collections	-	-	-	-	-
Drivers license fees	-	-	-	-	67,580
Auto licenses, use tax and postage	-	-	-	-	5,862,021
Interest	-	-	-	2,833	-
Assessments	-	26,676	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	61,315	203,390	-
Total additions	2,933	26,676	219,402	206,223	5,929,601
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	257,259
To other governments	2,932	26,515	140,515	249,191	5,647,398
Trusts paid out	-	-	-	-	-
Total deductions	2,932	26,515	140,515	249,191	5,904,657
Balances end of year	\$ 3,035	\$ 1,145	\$ 77,292	\$ 440,826	\$ 497,833

See accompanying independent auditor's report.

<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>E-911</u>	<u>Tax Sale Redemption Trust</u>	<u>Unclaimed Property</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ <u>43</u>	\$ <u>144,043</u>	\$ <u>-</u>	\$ <u>138</u>	\$ <u>1,770</u>	\$ <u>24,593,102</u>
-	-	-	-	-	21,693,247
-	126,233	-	-	-	126,233
-	404,703	-	-	-	404,703
-	-	-	-	-	780,746
-	-	-	-	-	158,087
-	-	-	-	3,953	521,238
-	-	-	-	-	67,580
-	-	-	-	-	5,862,021
-	543	-	-	3	3,379
-	-	-	-	-	26,676
-	-	244,451	14	-	585,841
391	19,664	-	-	-	284,760
391	551,143	244,451	14	3,956	30,514,511
234	-	-	-	-	492,811
159	580,709	-	-	5,003	30,467,358
-	-	244,451	52	-	557,270
393	580,709	244,451	52	5,003	31,517,439
\$ <u>41</u>	\$ <u>114,477</u>	\$ <u>-</u>	\$ <u>100</u>	\$ <u>723</u>	\$ <u>23,590,174</u>

MAHASKA COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues				
Property and other County tax	\$ 8,059,028	\$ 8,167,296	\$ 7,881,505	\$ 7,814,318
Interest and penalty on property tax	50,171	63,900	68,370	65,469
Intergovernmental	6,268,915	5,698,240	6,283,676	5,158,834
Licenses and permits	19,293	18,773	18,124	20,994
Charges for service	569,852	517,078	551,630	552,451
Use of money and property	194,154	224,840	261,671	423,066
Miscellaneous	1,077,497	540,349	472,955	663,288
Total revenues	\$ 16,238,910	\$ 15,230,476	\$ 15,537,931	\$ 14,698,420
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,949,357	\$ 2,821,223	\$ 2,694,373	\$ 2,631,282
Physical health and social services	612,909	656,882	690,847	731,881
Mental health	3,443,500	2,565,581	2,182,991	2,683,269
County environment and education	889,373	631,221	812,289	748,640
Roads and transportation	5,295,432	5,294,564	5,142,227	5,540,940
Government services to residents	558,702	514,300	511,651	566,964
Administration	1,187,970	1,022,796	1,058,726	1,264,959
Non-program	1,043,786	837,843	912,569	697,285
Debt service	8,490	8,490	8,490	8,490
Capital projects	303,463	943,680	1,452,817	-
Total expenditures	\$ 16,292,982	\$ 15,296,580	\$ 15,466,980	\$ 14,873,710

See accompanying independent auditor's report.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	7,320,629	\$ 6,841,706	\$ 6,950,971	\$ 6,249,202
	66,920	69,288	69,879	61,651
	5,517,349	4,646,922	5,368,724	6,489,935
	21,247	30,934	22,931	15,963
	592,030	554,364	540,405	528,465
	462,304	670,026	432,643	251,624
	773,378	498,512	441,435	332,090
	<u>\$ 14,753,857</u>	<u>\$ 13,311,752</u>	<u>\$ 13,826,988</u>	<u>\$ 13,928,930</u>
\$	2,545,494	\$ 2,501,567	\$ 2,335,596	\$ 2,237,833
	724,414	796,612	767,501	809,841
	2,716,999	2,616,932	2,340,063	2,307,713
	729,400	695,074	967,373	572,451
	5,801,883	4,405,418	4,287,635	4,068,474
	513,243	510,555	641,544	468,244
	1,076,258	1,008,633	1,068,734	913,191
	904,052	826,746	759,880	764,545
	8,490	8,490	8,490	-
	145,752	2,357,365	1,306,207	534,746
	<u>\$ 15,165,985</u>	<u>\$ 15,727,392</u>	<u>\$ 14,483,023</u>	<u>\$ 12,677,038</u>

MAHASKA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561	FY 12	\$ <u>18,834</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS 62(73)	157,972
Highway Planning and Construction	20.205	BROS 62(75)	70,533
Highway Planning and Construction	20.205	STP-S-62(78)	19,566
Highway Planning and Construction	20.205	DDIR-10-0-2- 62-G71-01	<u>11,389</u>
			<u>259,460</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	12-03, Task 208	<u>834</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered			
Programs	93.566	FY 12	<u>34</u>
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596	FY 12	<u>4,181</u>
Foster Care - Title IV-E	93.658	FY 12	<u>6,879</u>
Adoption Assistance	93.659	FY 12	<u>2,012</u>
Children's Health Insurance Program	93.767	FY 12	<u>65</u>
Medical Assistance Program	93.778	FY 12	<u>17,708</u>
Social Services Block Grant	93.667	FY 12	<u>6,028</u>
Social Services Block Grant	93.667	FY 12	<u>106,884</u>
			<u>112,912</u>

MAHASKA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	IA DR1763	\$ 46,891
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	IA DR1930	252,278
			<u>299,169</u>
Emergency Management Performance Grants	97.042	FY 12	<u>27,557</u>
Homeland Security Grant Program	97.067	FY 12	<u>113,501</u>
Total			\$ <u>863,146</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mahaska County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Mahaska County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mahaska County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 21, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Mahaska County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mahaska County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mahaska County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mahaska County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-12 and II-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mahaska County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Mahaska County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mahaska County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Mahaska County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mahaska County and other parties to whom Mahaska County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mahaska County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
March 21, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Mahaska County:

Compliance

We have audited Mahaska County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Mahaska County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mahaska County's management. Our responsibility is to express an opinion on Mahaska County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mahaska County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mahaska County's compliance with those requirements.

In our opinion, Mahaska County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Mahaska County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Mahaska County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mahaska County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the County's internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mahaska County and other parties to whom Mahaska County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
March 21, 2013

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 Highway Planning and Construction
 - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mahaska County did not qualify as a low-risk auditee.

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Auditor, Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-A-12 Segregation of Duties (continued)

Responses –

County Auditor – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties. We have been alternating duties between payroll and claims occasionally.

County Recorder – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control. However, the limited number of office employees does not allow for much further segregation of duties.

Conclusion – Responses accepted.

II-B-12 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County's financial statements. We also noted that the June motor vehicle transactions were not recorded in the general ledger until July. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables, capital asset additions, and motor vehicle transactions are identified and properly included in the County's financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-C-12 Improper Accounting – During the audit, we noted that the corrections for a receipt and a disbursement initially recorded in the wrong fund were recorded as revenues and expenditures. This overstates revenues and expenditures in the affected funds. They should have been recorded as corrective transfers between the funds.

Recommendation – Any such corrections should be made as a corrective transfer instead of revenues and expenditures in the future. This would properly reflect the actual amount of revenues and expenditures in the County's financial statements and budgets.

Response – We will properly record any similar future corrections as corrective transfers.

Conclusion – Response accepted.

MAHASKA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the non-program function. Disbursements in the property taxes department exceeded the amount appropriated prior to the amendment of the appropriations. In addition, the budget amendments were prepared and published with inaccurate amounts in the original budget column.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

The budget amendments should be reviewed for accuracy prior to publication and Board approval.

Response – We will amend the budget and appropriations when required in the future. We will make sure any future budget amendments are accurate.

Conclusion – Response accepted.

- IV-B-12 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various credit cards	Credit card interest and fees	\$221

Recommendation – The County should pay the monthly balance due on the credit cards to avoid interest and late fees. All charges on the cards should be reconciled monthly to the supporting receipts or invoices and any discrepancies should be investigated immediately. The County may need to stress to employees the importance of turning in detailed credit card receipts in a timely manner.

Response – We will consider this recommendation

Conclusion – Response accepted.

- IV-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- IV-D-12 Business Transactions – No business transactions between the County and County officials or employees were noted.

- IV-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-12 Deposits and Investments -- Except as noted in IV-K-12, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-12 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
- Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.
- IV-J-12 Treasurer's Semi-annual Report – The County Treasurer's semi-annual report for the six months ended June 30, 2012 was published as required by Chapter 349.16(3) of the Code of Iowa. However, we noted some material differences.

Recommendation – The Treasurer's semi-annual reports should be published accurately. The report should equal the Treasurer's bank reconciliation and general ledger.

Response – We will try to publish the required reports accurately in the future. The differences are due to the timing of recording auto license and use tax funds, which are recorded in the first week of the month which follows their actual month of collection and deposit.

Conclusion – Response accepted.

- IV-K-12 Bequest to the Mahaska County Conservation Board – During the year ended June 30, 2008, the Mahaska County Conservation Board was named as a beneficiary in a last will and testament. The Conservation Board remitted \$130,000 of the bequest to the Greater Des Moines Community Foundation (Foundation) in the year ended June 30, 2008, and \$122,716 in the year ended June 30, 2009. The Conservation Board signed a "Designated Passthrough Fund Agreement" and a "Designated Endowment Fund Agreement" with the Foundation. Both agreements state, in part, "the Donor hereby irrevocably assigns, conveys, transfers and delivers to the GDMCF (Foundation) all of the Donor's rights, title and interest in the property described." As of June 30, 2012, these funds were returned to the County but the earnings and other donations were still deposited with the Foundation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, "No public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly." In addition, Chapter 350.4 of the Code of Iowa states, in part, "a County conservation board may accept in the name of the County gifts, bequests, contributions and appropriations of money and other personal property for conservation purposes."

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting (continued):

IV-K-12 Bequest to the Mahaska County Conservation Board (continued)

Chapter 331.552 of the Code of Iowa states, in part, that a County shall “keep a true account of all receipts and disbursements of the County.”

A letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of giving proceeds from a gift to a private non-profit Foundation has been issued dated April 22, 2008. The letter of advice states, in part:

“...I do not believe that a board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be ‘public funds,’ subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking.”

In addition, consistent with the Iowa Attorney General’s letter of advice, the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapters 12B and 12C of the Code of Iowa and the County’s investment policy. According to financial reports of the Foundation, at June 30, 2012, the Foundation’s investments included domestic and international equities, fixed income, hedge funds, real estate, private equity and cash. These types of investments are not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

Also, the agreement with the Foundation does not require the Foundation to notify the County in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Recommendation – A 28E agreement, as described in the letter of advice, does not exist. We are not aware of any statutory authority for the conservation board and/or County to relinquish its fiduciary responsibility over the public funds to a separate non-profit organization.

The Mahaska County Conservation Board, through its action to give these public funds to the Foundation during the two years ended June 30, 2009, has put these public funds at risk since the Board and the Foundation have not invested and accounted for the proceeds from the bequest, including all income derived from the investment of the bequest, as required by Chapter 12B.10(5) of the Code of Iowa and Chapter 331.552 of the Code of Iowa.

The County should consult legal counsel and recover all income derived from the investment of the bequest from the time it was remitted to the Foundation.

MAHASKA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting (continued):

IV-K-12 Bequest to the Mahaska County Conservation Board (continued)

Until the County recovers all of the funds, it should seek to amend the agreement with the Foundation to require the Foundation to notify the County in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Response – As of December 2010, we have had the original funds transferred back to the County from the Foundation. We will continue to work on getting remaining balance of \$5,918 less the endowment donations and related earnings returned to the County.

Conclusion – Response accepted.

IV-L-12 Compensated Absences – The County's compensatory time policy limits employees to no more than 30 hours of accrued compensatory time, with various other limits for the Sheriff's, E-911, conservation, and secondary roads departments. However, we noted compensated absence accruals for compensatory time for seventeen employees exceeded the maximum amount by up to 207 hours.

Recommendation – The County should correct the compensatory time records for these employees, document the exceptions to the compensatory time rules, or amend their compensatory time policy.

Response – We will look into this matter and take the appropriate action.

Conclusion – Response accepted.